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SEP 23 3 01 PM 1967

TO : Department of State

INFO: Amembassy, PARIS

26 SEP Rec'd

FROM : Amembassy, ROME

SUBJECT : CIVAIR Press Comment on Italian Negotiating Position

REF :

DEPARTMENT OF STATE A/EDC/MR
RPS/IAI ANALYSIS BRANCH
REVIEWED BY _____ DATE: September 21, 1967
RDS or XD TEXT _____ DATE _____
TS AUTH. _____ REASON(S) _____
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The PanAm local representative has brought to the Embassy's attention an article by aviation writer Giuseppe D'Avanzo that appeared in Alata Internazionale of July 1967. The article was written to explain the breakdown in negotiations between Italy and the United States, and is a general history of our aviation relations over the last twenty years. The material is familiar to the Department. However, D'Avanzo asks a new question: "Was Mr. Fanfani right in denouncing the agreement, or shouldn't he have taken this action?" D'Avanzo gives the following reply:

"On May 31, 1966, by denouncing the 1948 agreement, Italy took a firmer stand than previously on this particular matter. This was confirmed by the appointment of a new chief negotiator, by the personal intervention of Prime Minister Moro, and by the stand taken by the High Council of Civil Aviation. This attitude, however, failed to be maintained at the crucial point, i.e. on June 1st, 1967, when, after the negotiations failed, THE DENUNCIATION OF THE 1948 TREATY SHOULD HAVE BECOME EFFECTIVE and flights between Italy and the United States by Alitalia, PanAm and Seaboard should have been suspended. It is still to be proved that, if the Italian airline would have restricted its operations to Montreal and the American carriers would have limited their services to Nice, Paris, Zurich, Frankfurt and Vienna, the largest losses would have been suffered by Alitalia, which is after all a State-owned enterprise and therefore it may be assumed

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Drafted by: ECON:PCNarten:sz - 9/19/67

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that the Italian State could afford the loss of a few billion lire more light-heartedly than the Boards of Directors and the shareholders of the American carriers operating air-services with Italy. But in Rome the line of resolution was interrupted on June 1st, 1967. The Italian Government was afraid of losing a few billion lire in a true showdown from which, in view of the private ownership of American carriers and of their influence on the State Department, we could have obtained a few good cards to play during the next round of negotiations, when they will begin."

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